



Implement Notice PIH 99-2 and the Sanctions Process



The sanctions process

You will be able to:

- Understand FO/TARC and PHA roles and responsibilities for the sanctions process
- Explain how to monitor PHAs, process forbearance requests, and initiate sanctions
- Apply tools and techniques to implement Notice PIH 99-2





Sanctions inquiry

Your Field Office director calls and asks you:

"I received Notice PIH 99-2 and the guidelines, what do I need to know about this new process?"



What does the Notice do?

- Requires all PHAs to submit 100 percent of Form HUD-50058 to MTCS
- Establishes an 85 percent minimum reporting rate for both Public Housing and Section 8
- Initiates semi-annual assessments
- Allows PHAs to request forbearance from sanctions
- Authorizes HUD to impose sanctions for PHAs that do not comply

To prevent sanctions, PHAs must submit timely, accurate, and complete data to MTCS.

The 85 percent reporting requirement is for both Public Housing and Section 8 programs; HUD calculates the reporting rates separately. For Section 8, determine the PHAs reporting rate for Certificates and Vouchers combined. Do not include Moderate Rehabilitation as part of its reporting requirements.

To determine PHAs' compliance with the 85 percent reporting requirement, review all PHAs Public Housing and Section 8 reporting based on Forms submitted through the last Friday (Noon EST) in June and December of each year.

During the initial implementation phase, PHAs that did not meet the minimum reporting rate as of February 1999 should have submitted forbearance requests to the Field Office or TARC by April 15, 1999. Thereafter, PHAs must request forbearance by February 15 and August 15 each year.





Why it's important

- Improved tenant reporting is now part of the Field Office/TARC Business Operating Plan
- Improved tenant reporting helps HUD be more accurate in its projections and dissemination of information
- Establishes new roles and responsibilities for Field Offices/TARCs

The 1999 Field Office/TARC Business Operating Plan (BOP) established an aggregate goal that at least 85 percent of all PHAs in your jurisdiction report to MTCS.

To meet this goal, monitor PHA performance to ensure PHAs in your jurisdiction meet reporting requirements.

To implement Notice PIH 99-2, Field Offices and TARCs must:

- Monitor and assist PHAs with MTCS issues
- Conduct semi-annual assessments of PHA reporting performance
- Review PHA forbearance requests
- Implement sanctions, if necessary





What does it mean for PHAs?

- Submit a minimum of 85 percent of both Public Housing and Section 8 Form HUD-50058 data
- Comply with MTCS reporting requirements
- Submit Form HUD-50058 data successfully
- Monitor their own performance

You should have conducted the first assessment of PHA compliance based on data submitted to MTCS through February 1999. Thereafter, evaluate PHAs MTCS reporting rates semi-annually - every January and July.

When SEMAP goes into effect, HUD will use MTCS data to verify PHA performance under six of the SEMAP indicators. To receive a score for these six indicators, PHAs must report at least 85 percent of its Section 8 Certificate and Voucher families on Form HUD-50058s to MTCS.



Overview of the sanctions process

Step 1



Monitor
PHA
reporting

Step 2



Conduct semi-
annual
assessments and
process
forbearance
requests

Step 3



Initiate
sanctions

PIH Notice 99-2 consists of three major steps:

1. Monitor PHA reporting
2. Conduct semi-annual assessments and process forbearance requests
3. Initiate sanctions

At each step in the process, there are subtasks, procedures, and helpful tools you can use to implement Notice PIH 99-2.



Step 1: Monitor PHA reporting



Step 1.1: Review monthly HA Delinquency report



Step 1.2: Notify PHAs of delinquent status



Step 1.3: Provide support to PHAs

Your primary objectives for this step are to:

- Identify delinquent and compliant PHAs
- Provide MTCS support to PHAs
- Help PHAs prevent sanctions

Achieve these objectives by:

Step 1.1: Review monthly HA Delinquency report. Identify PHAs with low reporting rates immediately. Use the monthly HA Delinquency report to identify PHAs with reporting problems. The HA Delinquency report summarizes the number of Forms HUD-50058 transmitted to MTCS in the last month, three months, and six months. You can access this report at any time from MTCS via the Internet. Focus your analysis on the last month's data.

Step 1.2: Notify PHAs of delinquent status. After you identify PHAs with low reporting rates, contact and inform them of their delinquent status, the sanctions Notice, and its requirements to improve MTCS reporting rates.

Step 1.3: Provide support to PHAs. Expect to provide MTCS support to both delinquent and compliant PHAs. Support might include helping PHAs access reports, interpret data, identify problems, apply trouble-shooting techniques, and identify solutions.





Step 2: Conduct semi-annual assessments and...



Step 2.1: Conduct semi-annual assessments



Step 2.2: Determine if PHA submitted forbearance request



Step 2.3: Prepare and maintain forbearance status list

Your primary objectives for this step are to:

- Verify PHA compliance with the 85 percent reporting requirement
- Process forbearance requests
- Update forbearance status list

Achieve these objectives by:

Step 2.1: Conduct semi-annual assessments. Assess each PHA's MTCS reporting performance in **mid-January and mid-July every year**. To assess performance, use the HA Delinquency report to determine if PHAs are compliant with the reporting requirement. You can access this report on MTCS.

Step 2.2: Determine if PHA submitted forbearance request. Non-compliant PHAs must submit initial forbearance requests to the Field Offices by **April 15, 1999** if the PHA did not meet the 85 percent reporting requirement by **February 1999**. Thereafter, PHAs must submit forbearance requests by **February 15 and August 15 every year**. Check with your local MTCS administrator or PIH program staff to determine if a PHA submitted a forbearance request.

Step 2.3: Update forbearance status list. Maintain a forbearance request status list and enter every forbearance request received. The list should track:

- When the PHA requested forbearance
- When the Field Office/TARC responded to the request
- If the Field Office/TARC or Headquarters (HQ) approved the request
- When the PHA will meet the reporting requirement





Step 2: Process forbearance requests



Step 2.4: Review PHA forbearance requests



Step 2.5: Provide forbearance status list to HUD HQ

After you enter a forbearance request on the status list, you can proceed to:

Step 2.4: Review PHA forbearance request. You have **30 days** to review and provide PHAs with a written response to their forbearance requests. To approve a request, it must contain:

- A description of the reporting deficiency
- An explanation of problems encountered (e.g., backlogged data, SprintMail)
- Specific steps to improve performance and overcome problems
- Measurable monthly goals to reach 85 percent reporting by the next semi-annual assessment period (January or July)

You can approve a PHA's second forbearance request if the request meets the above criteria and if the PHA can demonstrate that it made substantial progress toward the 85 percent requirement. For third forbearance requests, you should determine if the PHA has improved its reporting rate by at least 25 percent. If the PHA has not, disapprove the request and initiate sanctions. Submit a copy of the disapproved request to Office of Public and Assisted Housing Delivery at HUD Headquarters for informational purposes. If the PHA has improved its reporting rate by at least 25 percent, you should forward a copy of their forbearance request to the Office of Public and Assisted Housing Delivery at HUD Headquarters for review and concurrence.

Step 2.5: Provide forbearance status list to HUD HQ. Update the forbearance status list regularly and submit the initial list by **May 15, 1999** to the Office of Public and Assisted Housing Delivery at HUD Headquarters. HUD HQ must receive status lists **by March 15 and September 15** thereafter.





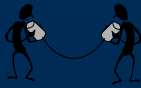
Step 3: Initiate sanctions



Step 3.1: Contact HUD HQ



Step 3.2: Determine appropriate sanctions



Step 3.3: Notify PHA and HUD HQ of findings



Step 3.4: Initiate sanctions

Your primary objectives for this step are to:

- Gain a detailed understanding of a PHA's MTCS reporting problems
- Inform HUD Headquarters of all sanction activity
- Implement sanctions, if necessary

Achieve these objectives by:

Step 3.1: Contact HUD HQ. Inform the Office of Public and Assisted Housing Delivery at HUD Headquarters of a pending sanction action.

Step 3.2: Determine appropriate sanction. Conduct an off-site PHA review to assess:

- MTCS reporting problems
- PHA management's commitment and approach to improve reporting

Based on the findings of an initial review, you can decide whether to conduct a formal, on-site review. A formal, on-site review might include a more detailed examination of the PHA's operations, computer systems, software, resources, training, staffing, management, and procedures.

Step 3.3: Notify PHA and HUD of all sanction activity. Notify the PHA and the Office of Public and Assisted Housing Delivery at HUD Headquarters of your findings. HUD Headquarters will inform the Financial Management Center (FMC) of the need for Section 8 sanctions.

Step 3.4: Initiate sanctions. After you complete your review, allow a PHA time to take corrective action, by specific deadlines, before you impose sanctions. If a PHA does not take corrective action, enforce the sanction you determine to be appropriate.



Sanctions and Public Housing

- HUD cannot impose financial sanctions on PHAs
- Field Offices/TARCs can send warning letters about partial default under a PHA's Annual Contributions Contract
- Delinquent MTCS reporters' future funding distribution may be diminished

HUD cannot impose financial sanctions on PHAs. Field Offices/TARCs can:

- Determine if an off-site review is necessary to determine if a PHA is unwilling to comply with the reporting requirements
- Send a warning letter to a PHA that they risk partial default under their Annual Contributions Contract and require the PHA to submit a formal plan to address its reporting problems.

In addition, there are several sanctions options available:

- Speak with the Office of General Counsel about freezing PHA funds or requiring the PHA to outsource some of its operations, if appropriate
- Disapprove PHA requests for site-based waiting lists
- Warn PHA that future funding may be at risk as authorized by the new housing legislation





Sanctions and Section 8

- HUD HQ notifies FMC of non-compliant PHAs semi-annually
- FMC calculates the administrative fee penalty
- FMC reduces administrative fees by 10 percent for each month of the semi-annual reporting period

For Section 8, the reporting rate is determined for Certificates and Vouchers combined. If a PHA fails to meet the 85 percent reporting requirement for Section 8 and does not have an approved forbearance request, HUD will reduce the PHA's monthly Section 8 administrative fees by 10 percent for each month of the semi-annual reporting period.

After HUD notifies the FMC of the delinquent Section 8 reporters, the FMC calculates the penalty. The FMC takes the total annual administrative fee the PHA earns, for both Certificates and Vouchers, and divides it by 12 months to obtain an average monthly administrative fee. The average monthly fee is then multiplied by 10 percent to obtain the penalty amount and then multiplied by the number of months in the semi-annual reporting period.

Sample calculation

Annual Section 8 Voucher and Certificate Administrative Fee	\$1,200,000
divided by 12 months per year	12
Average Monthly Section 8 Voucher and Certificate Administrative Fee	= \$
100,000	
multiplied by 10 percent	10
and then multiplied by the number of months in the semi-annual reporting period	6
Fee reduction	= \$
60,000	





Dates to remember

Initial Implementation

- Effective date of Notice January 28, 1999
- Initial review March 1999
- Initial PHA forbearance requests due April 15, 1999
to Field Offices

Ongoing Implementation

- First semi-annual review July 1999
- Forbearance request due August 15, 1999
- Second semi-annual review January 2000
- Forbearance request due February 15, 2000



Additional information

- Notice PIH 99-2
- Notice PIH 99-2 Processing Guidelines
- PIH Information Resource Center
- MTCS Forums

The PIH Information Resource Center is available toll-free at:

1-800-955-2232

The MTCS forums are available at:

<http://www.hud.gov/pih/systems/mtcs/forums.html>



Small group exercise

Situation:

You received a forbearance request in the mail today. Please evaluate the request.

Would you approve the request and why? Identify its strengths, weaknesses and areas for improvement, if necessary.